

KOMERCIJALNA BANKA AD SKOPJE

**CONSOLIDATED ANNUAL REPORT
OF KOMERCIJALNA BANKA AD SKOPJE
for the period from 01.01. to 31.12.2020**

Skopje, February 2020

CONSOLIDATED BALANCE SHEET

as at 31.12.2020

No.	ITEM	Amount	
		Previous year	Current year
1	2	3	4
	ASSETS		
1.	Cash and cash equivalents	41.600.045.922	46.023.776.124
2.	Investments in debt securities that can be used for refinancing in NBRM	10.943.234.820	7.858.049.908
2a.	Treasury bills	5.832.534.723	2.408.696.041
2b.	Government securities	5.110.700.097	5.449.353.867
2c.	Impairment	-	-
3.	Loans and advances to banks	4.693.021.256	1.021.079.579
3a.	Loans	29.053.438	29.047.616
3b.	Deposits	4.660.330.451	989.205.806
3c.	Other receivables	5.697.437	2.940.254
3d.	Impairment	2.060.070	114.097
4.	Loans and advances to other customers	50.791.396.708	50.953.837.661
4a.	Loans	54.652.864.206	54.997.102.899
4b.	Other receivables	147.467.038	62.682.459
4c.	Impairment	4.008.934.536	4.105.947.697
5.	Debt securities	7.968.203.329	19.590.645.726
5a.	Treasury bills	-	-
5b.	Government securities	7.328.563.415	18.942.417,964
5c.	Other debt securities	639.639.914	648.227.762
5d.	Impairment	-	-
6.	Investments in equity instruments	263.169.716	106.115.527
7.	Investments in associates	289.650.040	324.115.246
7a.	Investments in banks	-	-
7b.	Other investments in associates	289.650.040	324.115.246

No.	ITEM	Amount	
		Previous year	Current year
1	2	3	4
8.	Investments in subsidiaries	-	-
8a.	Investments in banks	-	-
8b.	Other investments in subsidiaries	-	-
9.	Joint ventures	-	-
9a.	Joint ventures in banks	-	-
9b.	Other joint ventures	-	-
10.	Intangible assets	56.400.616	71.561.042
10a.	Founding expenditures	-	-
10b.	Expenditures for research and development	-	-
10c.	Concessions, patents, licences, trademarks and similar rights	25.999.894	29.430.935
10d.	Goodwill	-	-
10e.	Other intangible assets	30.400.722	42.130.107
11.	Tangible assets	2.756.311.009	2.768.757.877
11a.	Land	89.188.636	89.200.713
11b.	Property and equipment	2.635.169.315	2.641.668.201
11c.	Other tangible assets	31.953.058	37.888.963
12.	Other assets/receivables	2.524.385.027	2.548.358.631
12a.	Restricted deposits	1.300.667.007	1.255.159.545
12b.	Derivative assets held for risk management	-	-
12c.	Embedded derivatives	-	-
12d.	Non - current assets held - for - sale and disposal group	-	-
12e.	Executed collateral	40.970.657	24.548.402
12f.	Assets pledged as collateral	-	-
12g.	Advances for intangible assets	407.066	-
12h.	Advances for tangible assets	2.449.386	15.207.986
12i.	Income tax receivable	4.591.091	390.225
12j.	Deferred tax assets	-	-
12k.	Financial assets at fair value through profit or loss upon initial recognition	339.193.210	344.454.803
12l.	Other receivables	866.537.336	940.506.955
12m.	Impairment	30.430.726	31.909.285
13.	Deferred incomes and prepaid expenses	1.145.711.132	1.334.277.304
14.	TOTAL ASSETS	123.031.529.575	132.600.574.625

No.	ITEM	Amount	
		Previous year	Current year
1	2	3	4
	LIABILITIES AND EQUITY AND RESERVES		
15.	LIABILITIES	109.708.524.622	118.603.447.293
16.	Liabilities to banks	1.171.586.610	762.559.363
16a.	Current accounts	86.824.167	186.000.628
16b.	Deposits	234.510.974	133.594
16c.	Restricted deposits	128.025.344	-
16d.	Borrowings	722.226.125	576.425.141
16e.	Other liabilities	-	-
17.	Liabilities to other customers	107.226.322.255	116.492.239.114
17a.	Current accounts	47.458.924.715	57.468.294.341
17b.	Deposits	57.113.312.184	56.674.669.953
17c.	Restricted deposits	2.539.303.059	2.349.274.820
17d.	Borrowings	114.782.297	-
17e.	Other liabilities	-	-
18.	Issued debt securities liabilities	-	-
18a.	Issued instruments on money market	-	-
18b.	Issued deposit certificates	-	-
18c.	Bonds issued	-	-
18d.	Other issued debt securities	-	-
19.	Other liabilities	951.034.503	1.040.469.021
19a.	Derivative liabilities held for risk management	-	-
19b.	Embedded derivatives	-	-
19c.	Trading liabilities	361.330	5.667.619
19d.	Liabilities related to disposal group	-	-
19e.	Income tax payable	9.709.010	3.534.270
19f.	Deferred tax liabilities	-	-
19g.	Financial liabilities at fair value through profit or loss	-	-
19h.	Other liabilities	940.964.163	1.031.267.132
20.	Deferred income and expenses payment in the future periods	26.816.210	12.116.002
21.	Risks and liabilities provisions	332.765.044	296.063.793
21a.	Provisions for off - balance credit exposure	269.821.359	258.451.011
21b.	Provisions for pensions and other employee benefits	62.943.685	37.612.782
21c.	Other provisions	-	-
22.	Subordinated debt	-	-

No.	ITEM	Amount	
		Previous year	Current year
1	2	3	4
23.	EQUITY AND RESERVES	13.323.004.953	13.997.127.332
24.	Subscribed capital	2.279.067.000	2.279.067.000
25.	Share premium	771.526.243	771.526.243
26.	Treasury shares repurchased	-	-
27.	Reserves	8.056.651.426	8.609.920.183
27a.	Statutory reserve	455.813.400	455.813.400
27b.	Other reserves	7.600.838.026	8.154.106.783
28.	Revaluation reserves and other valuation differences	5.594.139	3.517.468
29.	Profit for the financial year	1.814.227.296	1.923.370.709
30.	Loss for the financial year	-	-
31.	Retained earnings	362.658.182	370.129.871
32.	Accumulated loss	-	-
33.	Minority interest	33.280.667	39.595.858
34.	TOTAL LIABILITIES AND EQUITY AND RESERVES	123.031.529.575	132.600.574.625
	OFF - BALANCE RECORDS		
35.	Off – balance records - assets	47.995.778.455	51.695.591.727
36.	Off – balance records - liabilities	47.995.778.455	51.695.591.727

CONSOLIDATED INCOME STATEMENT

for the period from 01.01. to 31.12.2020

No	ITEM	Amount	
		Previous year	Current year
1	2	3	4
1.	Interest income	2.916.287.917	2.816.671.827
2.	Interest expense	511.523.108	396.117.124
3.	Fee and commission income	1.438.909.922	1.403.003.911
4.	Fee and commission expense	439.925.382	445.967.983
5.	Income from investments in associates, subsidiaries and joint ventures	60.815.889	67.613.706
6.	Net gains from securities operations	30.244.032	15.489.135
7.	Net losses from securities operations	-	-
8.	Net foreign exchange gains	118.057.743	165.074.182
9.	Net foreign exchange losses	-	-
10.	Other operating income	795.016.530	1.785.522.590
11.	Personnel expenses	988.967.978	1.035.579.087
11a.	Salaries	609.348.419	620.551.377
11b.	Expenses for taxes and compulsory contributions for social insurance	304.203.751	314.279.648
11c.	Other employees benefits	75.415.808	100.748.062
12.	Amortization and depreciation of intangible assets and tangible assets	163.813.026	175.118.431
13.	Impairment of intangible assets and tangible assets	4.512.824	4.399.374
14.	Impairment, special reserve and provisions	589.473.854	1.348.554.657
14a.	Impairment of assets	756.206.772	1.381.645.949
14b.	Special reserve for off – balance credit exposure	(167.698.263)	(11.896.714)

No	ITEM	Amount	
		Previous year	Current year
1	2	3	4
14c.	Other provisions	965.345	(21.194.578)
15.	Expense from investments in associates, subsidiaries and joint ventures	-	-
16.	Other operating expenses	650.303.532	748.316.510
17.	Profit from continuing operations	2.010.812.329	2.099.322.185
18.	Loss from continuing operations	-	-
19.	Profit from discontinuing operations	-	-
20.	Loss from discontinuing operations	-	-
21.	Profit before tax	2.010.812.329	2.099.322.185
22.	Loss before tax	-	-
23.	Income tax expense (part of the Tax balance)	183.987.857	160.187.419
24.	Profit for the financial year	1.826.824.472	1.939.134.766
25.	Loss for the financial year	-	-
26.	Average number of employees based on working hours during the financial year (in an absolute amount)	997	981
27.	Number of working months	12	12

Appendix on Income Statement of Consolidated Annual report

No	ITEM	Amount	
		Previous year	Current year
1	2	3	4
1.	Profit/Loss for the financial year	1.826.824.472	1.939.134.766
2.	Profit attributable to Bank's shareholders	1.814.227.296	1.923.370.709
3.	Profit attributable to non-controlling interests	12.597.176	15.764.378
4.	Loss attributable to Bank's shareholders	-	-
5.	Loss attributable to non-controlling interests	-	-

EXPLANATION
of the Consolidated Income Statement of
Komerčijalna banka AD Skopje
for the period from 01.01. - 31.12.2020

The consolidated annual report is made according to the law legislation in the Republic of North Macedonia, by – law legislation prescribed by National Bank of the Republic of North Macedonia, as well as according to the Regulations on the form and content of the annual report of banks and other financial institutions.

In course of the period from 01.01 to 31.12.2020, the financial result is achieved, as follows:

	<u>(in thousand denars)</u>
1. Total income	6.253.375
2. Total expenses	4.154.053
3. Profit before tax	2.099.322
4. Income tax expense	160.188
5. Net profit	1.939.134

1. Income

The total income in the Consolidated Income Statement at the end of 2020 is increased for 16,7% compared to 2019 (Table 1).

Table 1 (in 000 denars)

I T E M	Realization		Structure	Index
	2019	2020	31.12.2020	3:2
1	2	3	4	5
1 Interest income	2.916.288	2.816.672	45,0	96,6
2 Fee and commission income	1.438.910	1.403.004	22,4	97,5
3 Income from investments in associates, subsidiaries and joint ventures	60.816	67.614	1,1	111,2
4 Net profit from securities transactions	30.244	15.489	0,3	51,2
5 Net foreign exchange gains	118.058	165.074	2,6	139,8
6 Other operating income	795.016	1.785.522	28,6	224,6
TOTAL:	5.359.332	6.253.375	100,0	116,7

In the structure of the total income, the interest income from loans and other placements approved participate with 45,0%. The total interest income is decreased for 3,4% compared to 2019, as a result of a decrease of the interest income on loans approved to non-residents for 66,3%, decrease of the interest income from loans approved to non-profit institutions in service of households for 50,0%, decrease of the interest income on loans approved to banks for 39,9%, decrease of the interest income from loans approved to other financial companies for 33,2%, as well as a decrease in interest income from loans approved to non - financial companies for 4,5%.

At the same time, there is an increase of interest income of government for 37,4%, as well as increase of the interest income from loans approved to households for 7,6%. (Table 2).

Table 2

(in 000 denars)

ITEM	Realization		Structure 31.12.2020	Index 3:2
	2019	2020		
1	2	3	4	5
1 Interest income from loans and other placements approved to non - financial companies	1.451.890	1.386.866	49,2	95,5
2 Interest income from loans and other placements approved to government	213.141	292.961	10,4	137,4
3 Interest income from loans and other placements approved to non - profit institutions in service of households	9.653	4.831	0,2	50,0
4 Interest income from loans and other placements approved to banks	158.132	95.022	3,4	60,1
5 Interest income from loans and other placements approved to other financial companies	1.538	1.027	0,0	66,8
6 Interest income from loans and other placements approved to households	884.667	951.560	33,8	107,6
7 Interest income from loans and other placements approved to non - residents	133.956	45.085	1,6	33,7
8 Impairment of interest income, on net basis	(27.405)	(9.533)	0,3	34,8
9 Collected previously written - off interests	90.716	48.853	1,7	53,9
TOTAL:	2.916.288	2.816.672	100,0	96,6

The fees and commission income is decreased for 2,5% compared to 2019, as a result of decrease of the income under fees and commissions under payment operations of legal entities in the country and abroad, the decrease of income under fees and commissions from issued foreign currency letters of credit and guarantees, a decrease of the income under fees and commissions on the basis of keeping current accounts, as well as a decrease of the income under fees and commissions from cashier operations.

The decrease of income under fees and commissions is a result of the decreased volume of business activities in the corporate sector as a result of the current state caused by the health covid19 crisis.

The income from investments in associates, subsidiaries and joint ventures in the structure of the total income participates with 1,1%, and shows an increase of 11,2% compared to 2019 which refers to participation in the net profit of the associate company KB First Pension Company AD Skopje.

In the structure of the total income, net gains from securities operations participate with 0,3%, and compared to 2019 is has decreased for 48,8%

In the structure of the total income, net foreign exchange gains participate with 2,6%, and compared to 2019 it has increased for 39,8%.

The other operating income in the structure of the total income participates with 28,6% and shows a significant increase compared to 2019, which is mostly due to the increased capital gain from the sale of foreclosed assets (property and equipment). The capital gain from the sale of foreclosed assets is mostly derived from the sale of foreclosed assets of the Bank which covers a large area of administrative and business premises in attractive locations in Skopje and other cities, production plants with production lines and work equipment, as well as land. The sold foreclosed assets from which the capital gain was realized was foreclosed from legal entities that had significant credit exposure in the Bank.

Also, there is an increase of the income under collected previously written off claims.

2. Expenses

The total expenses in consolidated Income Statement at the end of 2020 show an increase of 24,1% compared to 2019 (Table 3).

Table 3 (in 000 denars)

I T E M	Realization		Structure 31.12.2020	Index 3:2
	2019	2020		
1	2	3	4	5
1 Interest expense	511.523	396.117	9,5	77,4
2 Fee and commission expense	439.925	445.967	10,8	101,4
3 Net losses from securities operations	-	-	-	-
4 Personnel expenses	988.968	1.035.579	24,9	104,7
5 Amortization and depreciation of intangible assets and tangible assets	163.813	175.118	4,2	106,9
6 Impairment of intangible assets and tangible assets	4.513	4.399	0,1	97,5
7 Impairment, special reserve and provisions	589.474	1.348.555	32,5	228,8
8 Expense from investments in associates, subsidiaries and joint ventures	-	-	-	-
9 Other operating expenses	650.304	748.318	18,0	115,1
TOTAL	3.348.520	4.154.053	100,0	124,1

In the structure of total expenses, interest expenses participates for 9,5% and show a decrease of 22,6% compared to 2019. This decrease is a result of a decrease of the interest expenses for government by 54,0%, a decrease of interest expenses from banks for 49,2%, decrease of the expenses of interest from households for 26,7%, decrease of interest expenses from non-profit institutions in service of households for 24,9%, the decrease of expenses from of interest from non-residents for 24,4%, as well as the decrease of interest expenses from non-financial companies for 8,9%. At the same time, there is an increase in interest expenses from financial companies for 11,6% (Table 4).

Table 4

(in 000 denars)

I T E M	Realization		Structure 31.12.2020	Index 3:2
	2019	2020		
1	2	3	4	5
1 Interest expense from non - financial companies	49.386	44.975	11,3	91,1
2 Interest expense from government	315	145	-	46,0
3 Interest expense from non - profit institutions in service of households	6.109	4.588	1,2	75,1
4 Interest expense from banks	5.908	3.001	0,8	50,8
5 Interest expense from other financial companies	33.653	37.547	9,5	111,6
6 Interest expense from households	373.718	273.794	69,1	73,3
7 Interest expense from non - residents	42.434	32.067	8,1	75,6
T O T A L:	511.523	396.117	100,0	77,4

The fee and commission expense in the structure of the total expenses participates with 10,8% and is higher for 1,4% compared to 2019.

The personnel expenses in the structure of the total expenses participate with 24,9%, and show an increase for 4,7% compared to 2019.

The amortization and depreciation of the intangible and tangible assets in the structure of total expenses participates with 4,2% and shows an increase of 6,9% compared to 2019.

The expenses under impairment of intangible and tangible assets, i.e. impairment of executed collateral, in the structure of total expenses participate with 0,1%, and show a decrease of 2,5% compared to 2019 and refer to regular subsequent impairment in accordance with the Decision from NBRNM.

The expenses under impairment, special reserve and provisions, i.e. impairment loss of active balance sheet receivables (loans and placements, interests, commissions, other receivables and securities), special reserve for off – balance credit exposure and the other provisions, show an increase of 128,8%, and in the structure of the total expenses participate with 32,5%.

The total impairment of financial assets and special reserve for off-balance sheet exposure on a net basis in 2020 is higher compared to 2019 due to the fact that in 2020 a lower amount of impairment relief and special reserve was realized. At the same time, in 2020 there is a higher amount of additions to the impairment compared to 2019, due to reduced creditworthiness of customers, and it is estimated that the Group made a certain anticipation of the expected deterioration of the loan portfolio in 2021, as a result of the crisis caused by COVID-19.

The other operating expenses in the structure of the total expenses participate with 18,0%, and show an increase of 15,1% compared to 2019 and mainly refer to increase in administrative and marketing costs, as well as increase in deposit insurance premiums.

The increase of administrative and marketing costs mostly refers to donations of financial assistance and medical equipment to the Ministry of Health of the Republic of North Macedonia and public health institutions in order to support the efforts and engagements of the health sector of the country during the period of the Covid19 health Crisis.

In 2020 the Group realized gross profit of 2.099.322 thousand denars, i.e. net profit of 1.939.134 thousand denars.

**BANK'S BOARD OF
DIRECTORS**